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IN THE

Supreme Court of the United States

OCTOBER TERM, 1955.

No. 508

HALL LABORATORIES, INCORPORATED, THE BUROMIN COMPANY, CALGON, INCORPORATED AND HAGAN CORPORATION,

Cross-Petitioners,

vs.

NATIONAL ALUMINATE CORPORATION,

Cross-Respondent.

BRIEF FOR CROSS-RESPONDENT, NATIONAL ALUMINATE CORPORATION, IN OPPOSITION TO PETITION FOR A CROSS-WRIT OF CERTIORARI.

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THE SUPREME PRINTING COMPANY, CHICAGO

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The court below held that the Hall companies were estopped to question their liability for royalties by contesting the validity or scope of the licensed (Fink-Richardson) patent, (Petition, p. 33). However, it also held that the estoppels did not apply as to the prior (Judson, Burk and Rosenstein) patents which expired during the pendency of the litigation, citing *Scott Paper Co.* v. *Marcalus Co.*, 326 U. S. 249 (1950), as requiring this exception to the estoppel (Petition, pp. 21-22). National Aluminate Corporation has filed its petition for certiorari seeking a review of that portion of the judgment which made the exception to the

estoppel doctrine (No. 478, October Term 1955). In their petition for a cross-writ, the Hall companies seek a review of the balance of the judgment, asserting that the court below erred in holding that there were any estoppels at all, and that they can invoke the prior art generally to avoid their liability for royalties.

We believe there is no basis for a cross-writ.

QUESTIONS PRESENTED.

The list of "Questions Presented" appearing in the Hall companies' petition (p. 2) is inaccurate. First, it does not disclose that the effect of the relief which the Hall companies assert would be to permit a contest of the validity of the Fink-Richardson patent. Second, it presents the matter as though this were a case involving a question of patent infringement, which it is not. This case involves the question of liability for royalties under a patent license in which the licensees, in settlement of previous litigation, have agreed to pay royalties based on the practice of a process specifically defined in the license agreement and which they are admittedly practicing. We believe that the following is a more accurate statement of the questions presented:

1. Do the *Formica* and *Marcalus* cases (*Westinghouse Co.* v. *Formica Co.*, 266 U. S. 342 (1924); *Scott Paper Co.* v. *Marcalus Co.*, 326 U. S. 249 (1945)) authorize patent licensees to contest liability for royalties by attempting to show a complete anticipation of the licensed patent by the prior art, *i.e.* contesting validity of the patent. If so, can they make such contest of validity on the basis of the alleged prior art other than prior expired patents?

2. Do the *Formica* and *Marcalus* cases authorize licensees to contest liability for royalties on the ground that

they are following the prior art, when they are admittedly engaging in the practices which form the agreed measure of their liability for royalties under the terms of the license agreement?

3. Can patent licensees who took the license as a part of the compromise and settlement of previous patent litigation, contest liability for royalty payments under the license on the basis of alleged prior art which they had pleaded in the litigation which was compromised and settled or which was known to them at the time of such compromise and settlement?

4. Did Section 103 of the Patent Act of 1952 (35 U. S. C. Section 103), change the law and render inapplicable the estoppels previously imposed upon patent licensees?

The foregoing questions relate to reliance on the prior art generally. The question whether there is an exception to the usual estoppels imposed on the licensee which permits him to invoke expired patents is the subject of National Aluminate Corporation's petition for certiorari heretofore filed (No. 478).

STATEMENT OF FACTS.

While we do not agree with a number of the assertions contained in the Hall companies' "Statement of the Case"*, these inaccuracies do not bear upon the grant or denial of a cross-writ of certiorari, hence we make no counter-statement of the facts.

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* For example, the Hall companies assert (pp. 6-7) that the court below "tacitly" agreed that the Fresenius publication, cited as prior art, disclosed everything in the Fink-Richardson patent, *i.e.*, that the court below "tacitly" reversed the trial court's finding to the contrary. The fact is that the court below held that the Hall companies were estopped to contest the validity of the Fink-Richardson patent, hence found it unnecessary to pass upon the correctness of the trial court's ruling that the Hall companies' practices did not correspond with the Fresenius text.

ARGUMENT.

(1) The Hall companies' petition in substance asserts that there is no longer any estoppel against the patent licensee to contest validity of the licensed patent. The Hall companies do not say so in so many words, and in their statement of "Questions Presented" talk about "comparison of accused practices" with the prior art (Petition, pp. 2-3). However, when the licensee asserts, as the Hall companies do here (Petition, p. 5), that the alleged prior art which he wishes to prove constitutes a complete anticipation of the licensed patent, then that is in fact a contest of the validity of the patent, regardless of what terminology is selected. That this is so is recognized by Chief Justice Biggs in his dissent in this case, on which the Hall companies heavily rely. He said that an "attack" by the licensee upon the patent under which he is licensed "can be permitted" (Petition, p. 24).

This Court, in *Automatic Radio Co.* v. *Hazeltine*, 339 U. S. 827, 836 (1950) reaffirmed the continued existence of the estoppel against the patent licensee to contest validity of the licensed patent. Under these circumstances there is obviously no merit in the suggestion by the Hall companies that the *Formica* and *Marcalus* cases (*Westinghouse Co.* v. *Formica Co.*, 266 U. S. 342 (1924); *Scott Paper Co.* v. *Marcalus Co.*, 326 U. S. 249 (1945)), taken together, authorize the licensee to show complete anticipation of the licensed patent, *i.e.*, to contest validity. Those two cases involved the issue of infringement, whereas *Hazeltine* and this case involve a question of liability for royalties, where the licensees are admittedly engaging in the activities specified in the agreement as the measure of liability for royalties. It is true that Chief Judge Biggs in his dissent below, suggested a "Formica-Marcalus" doctrine authorizing an attack on the validity

of the patent. This contention ignores the *Hazeltine* case. It is also inconsistent with the opinion which he wrote for the court in *Cold Metal Process Co.* v. *United Eng. & Fdry. Co.*, (C. A. 3, 1951) 190 F. (2) 217, 220, decided after *Formica* and *Marcalus*, in which he said that the licensee "cannot attack the validity of a patent under which it is licensed."

(2) Even if the Hall companies were merely seeking to compare their activities with the prior art, as they suggest, still no issue would be presented, for their activities admittedly come within the scope of the license agreement. They are admittedly practicing the process defined in the license agreement which forms the agreed measure of their liability for royalties.* This Court pointed out in *United States* v. *Harvey Steel Co.*, 196 U. S. 310 (1905), cited with approval in the *Hazeltine* case, 339 U. S. at 836, that under such circumstances the licensee is estopped to deny his liability for royalties. There is no issue as to validity, scope or infringement of the patent, and no basis for reference to the prior art.

(3) No basis is suggested by the Hall companies for their proposal that the binding effect of compromises and settlements of litigation should be ignored.

(4) Section 103 of the Patent Act of 1952 (35 U. S. C. 103), referred to by the Hall companies, says that a patent may not be obtained on that which was obvious to one skilled in the art. This is merely an express statement of a well settled interpretation of the previous patent statutes. In other words the section merely sets forth expressly the statutory prohibition which has always been inherent in the patent statutes. (*General Motors Corp.* v.

* The Court of Appeals in its opinion below pointed out that the Hall companies were not disputing the fact that they are practicing Fink-Richardson (Petition p. 21), and the Hall companies admit in their petition for certiorari that their activities are "within the range specified by Fink-Richardson" (Petition, p. 4).

Estate Stove Co. (C. A. 6, 1953), 203 F. (2) 912, 915, cert. den. 346 U. S. 822; *Gagnier Fibre Products* v. *Fourslides, Inc.* (D. C. Mich. 1953), 112 F. Supp. 926, 929.)

(5) The Hall companies by their petition for a cross-writ of certiorari are attempting to question well settled rules of law which were reaffirmed and re-enunciated as recently as the *Hazeltine* case. The only issue presented by the judgment of the Court of Appeals is that presented in National Aluminate Corporation's petition for certiorari, namely, whether the court below was correct in finding an exception to the usual estoppels imposed on the patent licensee, whereby such licensee must be permitted a hearing relative to expired patents. Accordingly National Aluminate Corporation's petition for certiorari should be granted and the petition of the Hall companies for a cross-writ of certiorari should be denied.

Respectfully submitted,

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REPLY BRIEF FOR CROSS-PETITIONERS

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REPLY BRIEF FOR CROSS-PETITIONERS

(1) The central core of the questions presented by this petition for a cross-writ is whether the *Formica-Marcalus* doctrine is applicable only to prior art as disclosed in United States patents (and only upon expiration thereof) of whether it is also applicable to other categories of prior art.

The absurd effect of the decision below, as it now stands, is that subject matter coming into the public

domain through a printed publication (although a statutory bar to a later patent, 35 U.S.C. 102(b)) may not be used without payment of royalty by a licensee under that patent whereas the identical subject matter can be invoked as a defense against the claim for royalties if the text writer has also published it in a patent and himself enjoyed a monopoly of it; but only if he has patented it here rather than in a foreign country, and only after such patent has expired.

The essence of Nalco's brief in opposition is that all uncertainty in this area was resolved by this Court's decision in *Automatic Radio Co. v. Hazeltine,* (1950) 339 U.S. 827, but that is the very point of division in the court below (cf., Appendix to Petition herein, pp. 19-20 and 24-25). And if *Hazeltine* was intended to overrule *Marcalus,* or make it inapplicable to licensor-licensee relationships, there is no logic whatever to the majority decision below, because (a) *Hazeltine* does not differentiate between different categories of prior art and (b) the majority below, while citing *Hazeltine,* applies the *Marcalus* doctrine. The injection of the *Hazeltine* case into the area of controversy thus emphasizes the present uncertainty and confusion on this important question and indicates that the Court should deal with the matter broadly and not limit its consideration to the questions (some relatively narrower) that reside in Nalco's petition at No. 478.

(2) Nalco's comments on Section 103 of the New Patent Act (Nalco's Br. 5-6) serve merely to show that the question raised by Chief Judge Biggs in his dissent is a substantial one that has not been, but should be, considered by this Court. Neither of the decisions of

lower courts cited by Nalco meets the point for which Chief Judge Biggs cites the new Act.

Respectfully submitted,

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